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Pending IRA rules, inflation woes and other retirement planning issues
By Frank Gargano
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Following the Federal Reserve's long-awaited interest rate cut on Sept. 18, which brought a 50 basis point decrease to its federal funds rate, wealth management professionals are left asking what this means for investment attitudes going forward.

Advisors worked to prepare their clients for the cut by outlining the reasons for the rate reduction and being transparent about their firms' investment positions relative to the future rate environment. They also explored changes to clients' investment plans, such as opportunities to refinance out of expensive loans.

"Changing situations — like the Fed finally starting to cut interest rates — can create opportunities, but also risks, and one should be cautious," Patrick A. Kujawa, regional director at Halbert Hargrove in Scottsdale, Arizona, said in an interview with Financial Planning's Rob Burgess.

Following the change, some advisors were quick to rebalance client portfolios to shield against further uncertainties.

Jon McCardle, president of Summit Financial Group of Indiana in Lafayette, Indiana, said the firm has been fiscally conservative in its "hands-on approach" for client portfolios. But mounting concerns regarding the November election have combined with other financial pressures to "[cast] a shadow over the optimistic outlook many investors are clinging to."

Regulators have brought new uncertainties to the retirement landscape as well.

The Internal Revenue Service has rolled out new guidance over the last few months on emergency retirement plan distributions for domestic abuse victims, final rules for reporting cryptocurrency trades, progress on a delinquent tax collection program for millionaires and more.

Further data released by the U.S. Government Accountability Office in August studied the changes in retirement advice after the Labor Department's 2016 fiduciary rule was thrown out in court. Evidence within the report supported claims that access to such advice declined after the rule was overturned but also provided statistics backing the opposite argument.

"We should be seeking universal availability of better-than-average advice and quality products," Gil Baumgarten, founder of Houston-based registered investment advisory firm Segment Wealth Management, said to FP's Tobias Salinger. "The brokerage business is just a clearinghouse. It's not designed to be

fiduciary."

See how experts weighed in to help advisors navigate retirement conversations with clients and draft more versatile plans for future expenses.

Retirees are advised to tap into their Roth accounts last to minimize hefty tax bills associated with 401(k) distributions.

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What to do amid mounting client fears of outliving retirement income
The omnipresent pressure of inflation on the cost of living has many consumers worried that they might exhaust their retirement savings sooner than expected.

Data from the Nationwide Retirement Institute's fourth annual Protected Retirement survey found that 56% of those polled worry about outliving their retirement incomes, with a separate 61% concerned about the difficulty of calculating how long their savings need to last. Inflation has only fueled these worries, driving 28% of respondents ages 45 and older to push back retirement with the goal of building up reserves.

This is where wealth management professionals say their roles can begin to assuage those doubts through proper planning, financial education and other measures.

"We find that in times of worry, the No. 1 thing that allows them to sleep at night is reviewing their financial plan with us," Benjamin Simerly, founder of Lakehouse Family Wealth in Cleveland, said to FP's Rob Burgess.

Read more: How advisors can ease client fears of outliving retirement income

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How to expect the unexpected with long-term health costs in retirement
Retirement planning is a complex process that prioritizes building a framework to save for the future and all the expenses that entails. Long-term health care can be an emotional conversation to have, but experts say it's a vital one for any successful plan.

"This is a normal conversation that is a part of our planning process," Justin Warren, vice president of financial planning at Pillar Financial Group in Fresno, California, said to Financial Planning last month. "I let them know even if we don't implement anything today, having the conversation is a starting point."

Broaching those topics is only the first step, however. Consumers need to then shop around for the insurance plans that best suit their budgets and needs, while understanding the nuances of "use it or lose it" built into many policies.

Read more: A proactive approach to long-term care planning can pay off for clients

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Will November be a make-or-break point for this auto-IRA legislation?
The Automatic IRA Act of 2024, HR 7293, which was introduced earlier this year by Rep. Richard Neal, D-Massachusetts, seeks to institute automatic enrollment into IRA retirement plans for those working for employers not currently sponsoring a retirement plan and includes opt-out and auto-escalation features.

The bill has failed to gain any ground in the Republican-controlled U.S. House of Representatives since then, but that stands to change if Democrats take control of the chamber in November.

Benjamin Simerly, founder of Lakehouse Family Wealth in Mentor, Ohio, told FP's Rob Burgess this month that making investments automatic with each paycheck "has long been the best-kept secret of financial planners nationwide."

"If you asked any financial advisor what strategy provides the best outcomes, automatic contributions is likely what most would say first," he said.

Read more: This auto-IRA retirement bill has hope if Democrats win the House

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Final IRS rules signal the end of the stretch IRA
Following the introduction of the IRS' final regulations on required minimum distribution rules, advisors are shifting gears to accommodate the end of the "stretch" strategy for beneficiaries of inherited individual retirement accounts.

Noneligible beneficiaries that have inherited IRAs from 2020 onward are required under the 2019 Secure Act to transfer the assets from those accounts into their income within a decade through RMDs, and must start to do so as soon as next year.

"Everyone thought there was a mistake. The longer we waited for the final regulations, the more the industry seemed to be thinking, 'OK, they're actually going to hold us to this,'" Heather Zack, the director of high net worth solutions with Waltham, Massachusetts-based wealth management firm Commonwealth Financial Network, said in an interview with FP's Tobias Salinger.

Read more: Final IRS rules to IRA beneficiaries: Get going on those RMDs already
Department Of Labor Headquarters As Economic Hole Remains Deep

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Opponents of Labor Department's retirement advice rule gain ground
Members of the Federation of Americans for Consumer Choice that are contesting the Department of Labor's new retirement advice rule for 401(k) rollovers and various insurance sales have obtained a crucial legal victory.

Judge Jeremy Kernodle of the Eastern District of Texas ruled in favor of the trade group on July 25, saying the group is "likely to succeed" as the "2024 Fiduciary Rule conflicts with [the Employee Retirement Income Security Act] in several ways, including by treating as fiduciaries those who engage in one-time recommendations to roll over assets from an ERISA plan to an IRA," Kernodle said.

Representatives from the Labor Department did not mention whether the agency seeks an appeal, but maintain that the rule is "essential to ensuring that retirement investors are protected."

"When investors get advice from a trusted financial professional about their retirement savings, they expect that advice to be in the customer's best interest, not the financial professional's," Labor Department spokesman Grant Vaught said in a statement.

Read more: Federal judge puts DOL retirement advice rule on hold

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